



Request for City Council Committee Action From the Department of Public Works

Date: November 17, 2003
To: Honorable Sandra Colvin Roy, Chair Transportation & Public Works Committee

Subject: **Update on Public Works Asphalt Plant**

Recommendation: Receive and file: Public Works update on the status of the asphalt plant.

Previous Directives:

- February 14, 2003 TPW: After discussion, Public Works was directed to continue operation of the City asphalt plant for the 2003 construction season.
- December 19, 2002 TPW: Public Works was directed to:
 - a) Purchase hot-mix asphalt through competitive bids on the private market for the 2003 construction season; and
 - b) Continue operations at the City's asphalt plant to the extent necessary during the 2003 construction season for the sole purpose of eliminating existing stockpiled products used for the production of hot-mix asphalt; and
 - c) Upon the elimination of the existing stockpiled products, suspend operations at the asphalt plant for a maximum of one year; and
 - d) During this one-year period, Public Works staff is directed to further evaluate the options available for providing City crews with hot mix asphalt in the most economical manner, and report back no later than the fall of 2003 with a recommendation regarding permanent closure of the facility; and
 - e) Aggressively pursue the public/private partnership concerning an asphalt plant authorized by the Legislative in 2002, to supply potential partners with the most recent estimates of the City's asphalt needs, and report back to Transportation & Public Works Committee within 3 cycles concerning the results of these discussions.

Prepared by: Michael D. Kennedy, P.E., Director of Field Services

Approved by:

Klara A. Fabry, P.E., City Engineer, Director of Public Works

Presenters: Michael D. Kennedy, P.E., Director of Field Services

Financial Impact (Check those that apply)

- ☒ No financial impact - or - Action is within current department budget.
(If checked, go directly to Background/Supporting Information)
- ☐ Action requires an appropriation increase to the Capital Budget
- ☐ Action requires an appropriation increase to the Operating Budget
- ☐ Action provides increased revenue for appropriation increase
- ☐ Action requires use of contingency or reserves
- ☐ Other financial impact (Explain):
- ☐ Request provided to the Budget Office when provided to the Committee Coordinator

Background/Supporting Information

We would like to give an overview of activities surrounding the Minneapolis Asphalt Plant as well as the Department's future plans.

2003 Construction Season:

Asphalt production for the 2003 construction season will exceed 100,000 tons.

2004 Construction Season:

During the next few months the plans and programming for the 2004 construction season will be finalized. In addition to our approved capital and maintenance programs for 2004 we have some additional work required at Heritage Park. This combination of work results in a requirement of approximately 57,000 tons of asphalt products for the 2004 construction season. At this level of production, our existing plant can not operate cost effectively and provide asphalt products at a cost equal to or less than the cost of competitive bids for supply by the private sector. This is based on an analysis of price quotes from the industry as well as a comparison to the bid prices received last year by Hennepin County.

2005 and Beyond:

Our capital program and maintenance budgets for 2005 and beyond are not firm at this point and we believe that in the foreseeable future, it is unlikely that our demands for asphalt products will reach a level similar to 2003. It is estimated that under the current CIP program, future annual asphalt requirements will range from 40,000 to 65,000 tons. Due to the foreseeable decrease in asphalt demands for the near future, and the uncertainty of long term asphalt demands, it will not be a viable option for the City of Minneapolis to operate an asphalt production facility.

Existing Plant Condition:

Because of the uncertainty of the long-term existence of the asphalt plant, critical preventative maintenance and renovation had been deferred over the last two years. As a result, the asphalt plant is not in serviceable condition to operate for the 2004 construction season without major rehabilitation costs in the range of \$250,000 to \$500,000. And at this point in the year, it is unlikely that the design, procurement and work process could be completed in order to be open in the spring of 2004. It is estimated that it would require \$1– 1.5 million to renovate the current plant to make it serviceable for a longer term.

Joint Venture:

The concept of a joint public/private venture or partnership is still an option. Public Works will pursue issuing a RFP in 2004 with the intention of having recommendations at the end of the 2004 construction season so that we will have data bidding experience data, and RFP responses to make a long-term decision.

Concrete Plant:

The concrete plant located adjacent to the asphalt plant, suspended operations in 1998 due to recommendations from Public Works and the City Council. Concrete products have been procured from the private sector with success, and the future predicted needs for concrete do not support a recommendation to reopen the concrete plant.

Next Steps:

Public Works will:

- Suspend production operations of the City asphalt plant at the end of the 2003 construction season (note: some activity at the plant may occur in order to support the Public Works Street Department for liquid asphalt cement or other miscellaneous needs – depending upon the results of the asphalt bid process);
- Take competitive bids for the supply of asphalt products for 2004;
- Adjust staffing levels to accommodate this change;

- Work with the Finance Department regarding any necessary changes to the 2004 Asphalt Plant budget;
- Retain the reserve fund balances in the Engineering Materials and Testing Division until final decisions are made;
- Return to the Council for direction to proceed with an RFP process for a joint venture once additional details are work out;
- Report back in the Fall of 2004 with a recommendation regarding permanent closure of the facility;
- Report back in the Fall of 2004 with a recommendation on the feasibility of participating in an asphalt supply partnership or joint venture;
- Permanently decommission the concrete plant, dispose of all the equipment, and cancel all applicable operating permits.